

Message Text

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64

ACTION TRSE-00

INFO OCT-01 EUR-25 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /177 W

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R 151817Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8769

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS LONDON 03349

DEPARTMENT ALSO PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: EXTENSION AND AMENDMENT OF STERLING
GUARANTEE ARRANGEMENTS

1. FOLLOWING IS TEXT OF U.K. TREASURY PRESS RELEASE OF MARCH 15, 1974.
2. QUOTE: THE PRESENT GUARANTEE OF CERTAIN OFFICIAL STERLING BALANCES EXPIRES AT THE END OF MARCH. ONE OF THE EARLY MATTERS FOR CONSIDERATION BY THE NEW GOVERNMENT WAS WHAT NEW ARRANGEMENTS MIGHT BE APPROPRIATE FOR THE POST-MARCH PERIOD.

3. THE PRESENT SIX-MONTH GUARANTEE, INTRODUCED IN SEPTEMBER 1973, HAS PROVED TO BE A USEFUL STABILISING FEATURE THROUGH A PERIOD OF GREAT UNCERTAINTY IN THE
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INTERNATIONAL FINANCIAL SITUATION. WITH THE PROSPECT OF

A FURTHER PERIOD OF DIFFICULTY AHEAD AND IN THE LIGHT OF COMMENTS RECEIVED FROM SOME OF THE COUNTRIES CONCERNED, THE GOVERNMENT HAS DECIDED TO CONTINUE TO GUARANTEE CERTAIN OFFICIAL STERLING HOLDINGS UNTIL THE END OF 1974.

4. THE GUARANTEE WILL BE GIVEN IN THE FORM OF A GOVERNMENT DECLARATION WHICH IS BEING SENT TO PARTICIPANTS IN THE PRESENT ARRANGEMENT.

5. THE BROAD STRUCTURE OF THE NEW GUARANTEE FOLLOWS THAT OF THE EXISTING SIX-MONTH ARRANGEMENT, THOUGH WITH SOME MODIFICATIONS. IN PARTICULAR, THE NEW GUARANTEE WILL BE EXPRESSED IN TERMS OF THE EFFECTIVE EXCHANGE RATE FOR STERLING, WHICH GIVES A BETTER MEASURE OF THE VALUE OF STERLING IN PRESENT CIRCUMSTANCES THAN THE RATE IN TERMS OF ANY SINGLE CURRENCY.

6. THE GUARANTEE IS GIVEN AT THE AVERAGE EFFECTIVE RATE IN THE PRESENT SIX-MONTH GUARANTEE PERIOD AND WILL BE IMPLEMENTED IF THE AVERAGE EFFECTIVE RATE IN THE NINE-MONTH PERIOD OF THE NEW GUARANTEE IS BELOW THE GUARANTEE RATE. ANY SETTLEMENT WOULD BE IN STERLING AND WOULD BE CALCULATED AS THE SUM NECESSARY TO RESTORE THE VALUE OF ELIGIBLE BALANCES CALCULATED AT THE IMPLEMENTATION RATE TO THEIR VALUE CALCULATED AT THE GUARANTEE RATE. UNQUOTE.

7. FURTHER DETAILS BY AIRGRAM.

SOHM

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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US Department of State
EO Systematic Review
30 JUN 2005

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